

# Highlights of the Major Budget Items from the 2011-13 Biennium

Joint Appropriations Subcommittee for General Government  
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North Carolina General Assembly  
Fiscal Research Division

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## 2011 Session – Budget Overview

FY 2011/12

<b>General Government:</b>	<b>Gov's Rec'd Continuation Budget</b>	<b>Legislative Net Changes</b>	<b>Revised Appropriation for FY 11/12</b>	<b>% Change</b>
Administration*	69,700,026	-5,251,083	64,448,943	-8
Auditor	13,063,656	-1,206,082	11,857,574	-9
Cultural Resources	72,664,633	-8,639,776	64,024,857	-12
Cultural Resources – Roanoke Island	2,406,982	-601,746	1,805,236	-25
General Assembly	54,593,047	-1,420,871	53,172,176	-3
Governor	6,189,478	-1,448,321	4,741,157	-23
Housing Finance Agency	13,877,996	-4,204,945	9,673,051	-30
Insurance	33,458,756	2,935,165	36,393,921	9
Insurance – Worker's Compensation Fund	4,500,000	-2,206,000	2,294,000	-49
Lieutenant Governor	954,868	-172,225	782,643	-18
Office of Administrative Hearings	4,328,822	-186,564	4,142,258	-4
Revenue	88,370,399	-10,170,861	78,199,538	-12
Secretary of State	11,076,972	-422,409	10,654,563	-4
State Board of Elections	6,189,011	-1,002,408	5,186,603	-16
State Budget and Management (OSBM)	6,963,796	-1,115,133	5,848,663	-16
OSBM – Special Appropriations	5,934,311	-3,993,699	1,940,612	-67
State Controller	32,517,077	-4,148,120	28,368,957	-13
Treasurer - Operations	10,538,203	-3,881,172	6,657,031	-37
Treasurer – Fire/Rescue Retirement	17,812,114	0	17,812,114	0
<b>Total General Government</b>	<b>455,140,147</b>	<b>-47,136,250</b>	<b>408,003,897</b>	<b>-10</b>

\*Includes Office of State Personnel and the State Ethics Commission

**FY 2012-13**

<b>General Government:</b>	<b>Continuation Budget</b>	<b>Net Changes</b>	<b>Revised Appropriation for FY 12/13</b>	<b>% Change</b>
Administration*	69,700,026	-3,371,814	66,328,212	-5
Auditor	13,063,656	-2,601,142	10,462,514	-20
Cultural Resources	72,664,633	-11,266,498	61,398,135	-16
Cultural Resources – Roanoke Island	2,406,982	-1,503,491	903,491	-62
General Assembly	54,593,047	-2,918,417	51,674,630	-5
Governor	6,189,478	-543,144	4,646,334	-25
Housing Finance Agency	13,877,996	-12,269,579	1,608,417	-88
Insurance	33,458,756	3,394,220	36,852,976	10
Insurance – Worker’s Compensation Fund	4,500,000	-1,876,346	2,623,654	-42
Lieutenant Governor	954,868	-403,694	551,174	-42
Office of Administrative Hearings	4,328,822	-186,564	4,142,258	-4
Revenue	88,370,399	-11,734,852	76,635,547	-13
Secretary of State	11,076,972	344,252	11,421,224	3
State Board of Elections	6,189,011	-1,164,940	5,024,071	-19
State Budget and Management (OSBM)	6,963,796	-1,232,106	5,731,690	-18
OSBM – Special Appropriations	5,934,311	-4,055,311	1,879,000	-68
State Controller	32,517,077	-2,567,708	29,949,369	-8
Treasurer - Operations	10,538,203	-3,916,453	6,621,750	-37
Treasurer – Fire/Rescue Retirement	17,812,114	0	17,812,114	0
<b>Total General Government</b>	<b>455,140,147</b>	<b>-57,873,587</b>	<b>396,266,560</b>	<b>-13</b>

\*Includes the Office of State Personnel and the State Ethics Commission

## **Significant Budget Actions during 2011-13 Biennium:**

### **FY 2011-12**

#### **Money and Special Provision Items:**

Reduced budgets by \$20 million by consolidating duties, reducing operations, eliminating regional offices, and reorganizing some functions of State government to achieve savings and efficiencies

- The State Auditor's Performance Audit Division was reduced by half (9 positions). Funding equivalent to five of the eliminated positions were transferred to the General Assembly's Program Evaluation Division.
- A total of 260 vacant and 57 filled positions were eliminated across 15 State entities, including Department of Administration (46 FTE), Department of Cultural Resources (41 FTE), and Department of Revenue (69 FTE).
- Within Department of Administration, the following offices consolidated functions: Office of State Property, Office of Facility Management, NC Council for Women, and Office of the Secretary.
- Within Department of Cultural Resources, the following offices consolidated functions: the N.C. Arts Council, State Library Services, and the Museum of History.
- Centralized some regional operations of the State Board of Elections, the State Auditor, and the Museum of History.
- Reduced funding for temporary positions in DOR by \$1.8 million. As a result, 91 temporary positions were eliminated. The majority of these positions assisted in processing tax returns.

Shifted 48 positions at Department of Administration and Department of Cultural Resources to existing receipts, for a General Fund savings of \$3.5 million

- The Transportation Museum was shifted to 50% receipt-funding in FY 2011-12 and 100% receipt-funding in FY 2012-13, for a General Fund savings of nearly \$1.2 million.
- The General Fund appropriation for the Roanoke Island Commission was shifted to 25% receipt support in FY 2011-12 and 50% receipt support in FY 2012-13, with a goal of 100% receipt support over four years.
- Maintenance of Tryon Palace was shifted to receipt support, in addition to reductions made to the site's operating budget.
- Positions in multiple offices of DOA were shifted to receipt support through the use of funds from other State agencies or from non-General Fund sources. For example, the Department will utilize increased funding from existing charges for financial services provided to other agencies. DOA will levy a new fee on capital projects to support positions in the State Construction Office.

Cut \$8.4 million from programs that provide funds to non-state entities:

- Reduced the Housing Trust Fund and the Home Protection Fund by \$2.1 million each.
- Reduced \$2 million in State aid to local libraries.
- Reduced various grants funded through the N.C. Arts Council by \$1.3 million.
- Eliminated non-competitive funding for the Shakespeare Festival and Vagabond School of Drama
- Eliminated grants managed by the Martin Luther King Commission.

Reduced funds for information technology expenditures:

- Cut \$1 million by eliminating funding for a cancelled contract associated with the Integrated Budget Information System and by correcting budget errors.
- Saved \$2.4 million by eliminating the Governor's recommended funding to expand the scope of the CJLEADS project.
- Authorized non-General Fund sources of funding for the State Treasurer's Integrated Document Management System and the Office of State Personnel's Learning Management System.
- Reduced funding in the BEACON Reserve. In addition, \$4.5 million was transferred from the e-Commerce Reserve to General Fund Availability by eliminating funds for Smart Cards and e-Procurement upgrades.

Fully funded building reserves for Green Square and Nature Resource Center and the Public Health Laboratory and Office of Chief Medical Examiner

## **FY 2012-13**

### **Money and Special Provision Items:**

Implemented Management Flexibility Reserves

- Implemented management flexibility reserve of two percent or less was applied to the majority of agencies within the General Government Subcommittee area. Management flexibility reductions totaled \$5.7 million across the Subcommittee. The Departments of Insurance and Treasurer were not impacted by this particular reduction, nor were the Offices of Administrative Hearings, Lieutenant Governor, or State Controller.

Transferred programs for savings

- The Managed Care Patient Assistance Program (MCPAP) within the Department of Justice was transferred to the Department of Insurance, which performs similar functions. Appropriations for MCPAP will continue to be reimbursed by the Insurance Regulatory Fund. As part of the consolidation, the MCPAP director position was eliminated, for recurring savings to the Insurance Regulatory Fund of \$133,387.

Replaced State General Funds with receipts

- General Fund appropriations to the Housing Trust Fund were eliminated for one year on a nonrecurring basis and the Housing Finance Agency was directed to utilize funds from the National Mortgage Settlement instead. One-time savings to the General Fund total \$7.9 million. The Agency will receive \$30.52 million in funds from the Settlement.
- General Fund support for the Home Protection Program was eliminated. The Program will receive funds from the U.S. Treasury's Hardest Hit Program to provide similar services. Recurring savings to the General Fund total \$187,879.
- The Office of Secretary of State's Charitable Fundraising Division and associated functions within the Administrative Division, was moved from receipt support to General Fund support. In total, 9.43 FTEs and \$979,752 in receipts were moved to the General Fund. This transfer resulted in a net increase in General Fund availability of \$162,816 due to over-realized receipts in the Division.

#### Restored cuts directed in FY 2011-12 budget bill

- In the Department of Cultural Resources, \$1 million in reductions that had been directed in the 2011 Committee Report for FY 2012-13 were restored in the 2012 Committee Report:
  - \$300,000 restored to the Transportation Museum, whose \$1.2 million appropriation was eliminated in S.L. 2011-145.
  - \$500,000 restored to Tryon Palace, whose FY 2012-13 appropriation was reduced by \$2.2 million in S.L. 2011-145. Total General Fund appropriations in FY 2012-13 will be approximately \$2.5 million.
  - \$105,037 restored to the Museum of Art, whose FY 2012-13 appropriation was reduced by \$674,000 in S.L. 2011-145.
  - \$105,037 restored to the Museum of History, whose FY 2012-13 appropriation was reduced by \$586,000 in S.L. 2011-145.
- The appropriation to the Department of Insurance's Consumer Protection Fund, which had been reduced in the 2011 Committee Report, was increased by \$300,000 to align with prior year actual expenditures. Appropriations to this Fund are reimbursed by the Insurance Regulatory Fund.

#### Other

##### State Board of Elections

- Froze the use of the remaining \$4 million in federal Help America Vote Act (HAVA) Title II funds continued. The expenditure of these federal funds requires that the State maintain a certain level of spending (maintenance of effort). Recurring reductions taken in S.L. 2011-145 mean that this level of spending was not met in FY 2011-12 and will not be met in FY 2012-13. S.L. 2012-142 further specified that federal HAVA Title II disability access funds, which do not require State maintenance of effort, may be spent in FY 2012-13. The bill did not freeze HAVA Title I funds, which also do not require State maintenance of effort.

##### Department of Cultural Resources

- Required the Department of Cultural Resources to develop five year business plans for the Transportation Museum, Roanoke Island Festival, and Tryon Palace; these reports were due February 1<sup>st</sup>, notification has been received that these plans will be delayed until March 15<sup>th</sup>.

#### **Substantive Law for FY 2011-13:**

##### Housing Finance Agency:

- Transferred Home Foreclosure Program from Commission of Banks to the Housing Finance Agency (S.L. 2011-288)

##### Office of Administrative Hearings:

- Granted the Office of Administrative Hearings Final Decision Authority for contested cases (S.L. 2011-398)

##### State Board of Elections:

- Restore Confidence in Government (H351) created a voter identification requirement for voting. The Bill passed both Chambers but was vetoed by Governor

### **2011-13 Continuation/Justification Reviews:**

North Carolina General Assembly – Building Maintenance Operations - Following the recommendation of a continuation review, the 2012 Committee Report restored the recurring appropriation for this section, for a total of approximately \$2.6 million and 32 positions.

### **Performance Evaluation Reports:**

Department of Administration:

- Merger of the Human Relations Commission with the Civil Rights Division Would Yield Limited Cost Savings (October 2012)
- Ineffective Policies and Diffuse Oversight Result in Inefficient Use of State-Owned Vehicles (April 2012)
- Motor Fleet Management Uses Best Practices, but Needs Telematics to Strengthen Accountability (March 2012)
- Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina's Vehicles (December 2011)

Department of Cultural Resources and Department of Environment and Natural Resources

- Review of state attraction management to determine whether administration could be consolidated and savings in budget (February 2012)

### **Study Committee Work**

Housing Finance Agency:

- Blue Ribbon Commission on Transitions to Community Living recommends using existing or new appropriations to the Housing Trust Fund to fund housing opportunities in rural communities.

Office of Administrative Hearings:

- Joint Legislative Administrative Procedure Oversight Committee recommends a decennial review of all rules in the State. The Office of Administrations Rules Review Commission will need additional staff to handle this function.